

# Moving Forward, Committed to Students



Year in Review  
2010

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## Letter from the Board Chairman



Iowa Student Loan® is a private nonprofit corporation that provides valuable services to hundreds of thousands of Iowans and employs several hundred more in providing these services. As members of its board of directors, and as governor-appointed representatives of different communities and professions, we are all dedicated to a common corporate philosophy as we govern and oversee this enterprise. Even as students' and families' needs, the economy and other factors change, we are committed to providing support to help students succeed and Iowa's economy grow.

Iowa Student Loan provides students with loans as an investment in their futures. Since we have a shared interest in their success, we are driven to help students achieve the maximum benefit from higher education. Along with life growth and a postsecondary education, we strive to help students become financially independent, as demonstrated by their ability to succeed in life and their ability to meet their student loan and other financial obligations. And we are proud to pursue these goals without reliance on state appropriations. We are also deeply committed to providing top-notch customer service

to help graduates and their families through the repayment process.

We board members take our roles in providing citizen governance and oversight of this important enterprise seriously. As will be evident, we believe Iowa Student Loan is a highly regulated and well-run organization. If you have any questions about Iowa Student Loan, its programs and services, or its governance, please don't hesitate to contact one of us.

A handwritten signature in black ink, appearing to read 'Tim Bottaro', written in a cursive style.

Tim Bottaro  
Chairman of the Iowa Student Loan board of directors

## Executive Summary

If allowed only one word to describe Iowa Student Loan's activities in 2010, it would be *preparation*.

As the year began, major changes in student lending could be seen on the horizon. These changes stemmed from continuing bond and credit market woes as well as the eventual passage and signing of federal legislation — the Health Care and Education Reconciliation Act of 2010 — that ended the federal-guaranteed student loan program in favor of direct federal lending to students and parents. However, these changes have also brought about new opportunities for Iowa Student Loan to meet its private nonprofit mission of helping Iowa students and families achieve their postsecondary academic goals.

In 2010, Iowa Student Loan continued to enhance and build upon efforts to provide numerous types of assistance to Iowans without reliance on state appropriations. Detailed in this report is the nonprofit organization's work to provide supplemental loan options with transparent terms and competitive rates; customer service to both federal and private student loan borrowers; and community reinvestment initiatives. Iowa Student Loan also focused on new ways to help students borrow responsibly and successfully repay their loans, such as bolstering its financial literacy efforts with the introduction of a new mandatory online course for all applicants of Iowa Student Loan private loan programs. The course is designed to help potential borrowers better understand the future financial obligations they could face with increased indebtedness, and it also suggests strategies they could pursue to limit borrowing.

While changes have led Iowa Student Loan to refocus some of its efforts, providing needed financing to students remains a chief goal. Due to economic conditions in recent years, the organization has had to be innovative to accomplish this — utilizing programs it self-funds as well as partnerships with Iowa-area financial institutions.

To further fulfill its nonprofit purpose, Iowa Student Loan introduced two new grant programs to reward those who fill job shortage areas. The Iowa Student Loan Teacher Career Establishment Grant and Nurse Educator Grant take the place of the organization's former loan forgiveness programs and provide grants of up to \$4,000 to nurse educators and up to \$2,000 to teachers fulfilling state-designated job shortage areas. These programs are just another way Iowa Student Loan hopes to bring about positive change in Iowa's future.

Looking ahead, Iowa Student Loan would like to provide its exemplary customer service to new federal loan borrowers. With guidance from the Iowa Student Loan board of directors, staff worked in 2010 to assess and upgrade information technology, business processes, security boundaries and compliance procedures in anticipation of qualifying Iowa Student Loan as a servicing contractor for the William D. Ford Federal Direct Loan Program (Direct Loan). The U.S. Department of Education named Iowa Student Loan an eligible nonprofit to perform such work, and Iowa Student Loan hopes to receive an initial allocation of Direct Loans to service in 2011.

For nearly 30 years, Iowa Student Loan has been obtaining the experience needed to prepare for these changes. The nonprofit organization stands ready to move forward in its commitment to the students and families it serves.



## Mission

To help Iowa students and families obtain the resources necessary to succeed in postsecondary education.

## Nonprofit Purpose

Iowa Student Loan is a nonprofit corporation that has no shareholders and pays no dividends. Instead, Iowa Student Loan reinvests excess revenues over expenses, beyond the funding of required reserves, to benefit Iowa students and the people of Iowa in ways consistent with its mission. For tax purposes, Iowa Student Loan is a tax-exempt educational organization under section 501(c)(3) of the federal Internal Revenue Code.

## Board Priorities

As the economic and political climate demanded change in student lending, the Iowa Student Loan board of directors reaffirmed its commitment to the following priority goals, which were first adopted in 2009.

1. Provide Access to College
2. Supply Affordable and Appropriate Student Loans
3. Help Borrowers Repay Their Loans
4. Keep Loan Customer Service Local
5. Reinvest Earnings in Iowans

## Strong Board Leadership

In July, Gov. Chet Culver reappointed Laurie Hempen, representing the general public, and Christine Hensley, representing state banking institutions, to the Iowa Student Loan board of directors when their terms expired. Culver also appointed a new board member, Deb Derr, representing Iowa community colleges. Soon after, Tim Bottaro was re-elected board chairman and Marc Ward was re-elected board vice chairman at the board's annual meeting.

As of Dec. 31, 2010, the Iowa Student Loan board members were:

- ▶ Timothy Bottaro, chairman of the board, attorney in general practice in Sioux City.
- ▶ J. Marc Ward, vice chairman of the board, attorney in general practice in Des Moines.
- ▶ Catherine (Kay) E. Beyerink, CEO of Telco Triad Community Credit Union in Sioux City.
- ▶ Debra Derr\*, president of North Iowa Area Community College in Mason City.
- ▶ Laurie Hempen\*\*, director of human resources, Burlington School District in Burlington.
- ▶ Christine Hensley\*\*, vice president of regional community affairs at Bank of the West in Des Moines.
- ▶ Dr. Tahira K. Hira, professor of personal finance and consumer economics at Iowa State University in Ames.
- ▶ Tony Kaska, president and CEO of Midwest Heritage Bank in West Des Moines.
- ▶ John O'Byrne, retired after 21 years as president of Cresco Union Savings Bank in Cresco.
- ▶ Robert Wilson "Bill" Sackett, attorney in general practice in Okoboji.
- ▶ Frank Thomas, retired as senior counselor to the president after 18 years with Grinnell College in Grinnell.

\* New appointment

\*\* Reappointed

## Meeting High Standards

Iowa Student Loan consistently meets the requirements of federal and state regulations. The board of directors, whose members are appointed by the governor, provides primary oversight.

Federal oversight is exercised by several agencies, including but not limited to the U.S. Department of Education (ED), which delegates some functions to the Iowa College Student Aid Commission (ICSAC); the newly created Consumer Financial Protection Bureau; the Federal Trade Commission; and the Internal Revenue Service.

In addition, the governor, state auditor, state superintendent of banking and the state attorney general, among others, provide state oversight under Iowa law and regulations.

Several audits, reviews and examinations are performed periodically at Iowa Student Loan. These include those required by the above oversight agencies, as well as independent audits commissioned by the Iowa Student Loan board of directors.

## Financial Stability

During the 2010 fiscal year, Iowa Student Loan total revenue increased over that of fiscal year 2009. Although net student loans outstanding dipped to \$3.5 billion from \$3.6 billion in 2009, lower student loan revenue was more than offset by an extraordinary gain achieved from payments received.

Loans purchased and made by Iowa Student Loan also decreased from \$178 million in 2009 to \$173 million this year. Outstanding serviced student loans dropped from \$831 million in 2009 to \$534 million in 2010 because two lenders sold loans formerly serviced by Iowa Student Loan to the federal government. Serviced originated volume also decreased from \$362 million in 2009 to \$204 million in 2010.

## Contributing to Iowa's Economy

Iowa Student Loan employs approximately 275 Iowans, who support the local economy, in quality jobs. These Iowans are not state employees, and Iowa Student Loan does not receive any state appropriations to fund their positions or its operations.

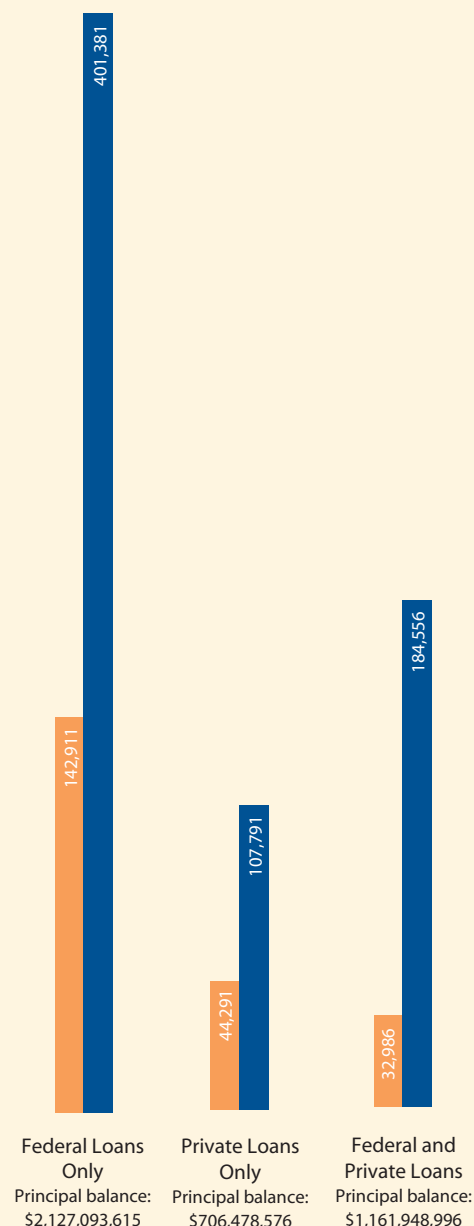
As Iowa Student Loan — through its wholly owned, taxable subsidiary, ISL Service Corp.<sup>SM</sup> — begins to help nonprofit secondary markets in other states service federal loans for ED and offer supplemental private student loans, Iowans will benefit from new jobs created for ISL Service Corp.'s growing out-of-state activities. In turn, increased earnings from these out-of-state activities will be used by Iowa Student Loan to make supplemental funding available to students, to help Iowa lenders offer loans to students and to provide federal student loan servicing for ED.

## Iowa Students and Families Served

As of June 30, 2010

220,188 Borrowers

693,728 Loans





## Providing Resources for Student Success



Iowa Student Loan remains committed to helping Iowa college students obtain the funds necessary to stay in college. Many of these students have exhausted financial aid, federal loans and other sources, and need help finding supplemental private loans with clearly stated terms to reach their higher education goals. To that end, Iowa Student Loan provides private student loans with competitive interest rates and transparent terms, including the Partnership Advance Education Loan® and the Iowa Alliance Private Student Loan Program<sup>SM</sup> (Iowa Alliance Loan).

### Partnership Advance Education Loan

The Partnership Advance Education Loan, financed directly by Iowa Student Loan, became available to students at the end of 2009. Offering three options, each with different fixed interest rates, the Partnership Advance Education Loan is one of few available supplemental private student loans with a fixed rate.

Students and their cosigners can select loan options with no or low origination fees and choose whether to pay interest while in school or defer interest payments until after graduation. Paying interest while in school can help borrowers decrease the overall cost of borrowing by reducing the amount of interest that is paid over the life of the loan. A cosigner is required for the Partnership Advance Education Loan unless students are able to meet the eligibility criteria on their own.

### Iowa Alliance Loan

In an effort to continue assisting students most in need, Iowa Student Loan has partnered with 15 lenders to extend funding for the Iowa Alliance Loan. While most local and national lenders require creditworthy borrowers or cosigners, the Iowa Alliance Loan offered at the beginning of the 2010 – 2011 academic year is specifically for students who have no creditworthy cosigner and who would be unable to attend or remain in school without supplemental private student loan funds.

This supplemental private student loan features transparent terms, including a variable interest rate that students know before applying. The program will help Iowa students fill the gap between the cost of attendance and available financial aid for both the 2010 – 2011 and 2011 – 2012 academic years.

“We’re seeing a lot of students caught in a difficult spot. They need more money to cover what financial aid doesn’t, but their parents can’t help them out by cosigning for a traditional private student loan. By providing an alternative with transparent and reasonable terms, these banks are helping students who may otherwise have to forego or postpone college.”

— Gary Steinke, president, Iowa Association of Independent Colleges and Universities

The following Iowa-area lenders partner with Iowa Student Loan on the Iowa Alliance Loan program:

Lenders	
American State Bank (Osceola)	MidWestOne Bank (Iowa City)
Bankers Trust Company (Des Moines)	Modern Woodmen Bank (Rock Island, Ill.)
Community State Bank (Paton)	Northwest Bank (Spencer)
Crawford County Trust and Savings Bank (Denison)	Patriot Bank (Brooklyn)
Fairfax State Savings Bank (Fairfax)	Shelby County State Bank (Harlan)
Guthrie County State Bank (Panora)	Sibley State Bank (Sibley)
Heartland Bank (Gowrie)	Treynor State Bank (Treynor)
Manufacturers Bank & Trust Co. (Forest City)	

## More Options for Students

Iowa Student Loan continues to work with a growing number of credit unions in Iowa and surrounding states that are dedicated to ensuring access to supplemental private student loans with transparent terms. These programs provide additional supplemental funding options to more students and brings Iowa Student Loan back to its initial and continuing purpose: to provide expertise and administrative services to empower lenders to help Iowa families pay for college.

Indeed, for students who might have to drop out of college if they cannot obtain private student loans, the assistance that Iowa lenders can contribute, with the help of Iowa Student Loan, is a critical component of college success.

The following credit unions offer supplemental private student loans with Iowa Student Loan providing loan servicing:

Credit Union	Website
Alliant Credit Union	<a href="http://www.alliantcu.com/studentloan">www.alliantcu.com/studentloan</a>
Ascentra Credit Union	<a href="http://www.ascentra.org/studentloans">www.ascentra.org/studentloans</a>
Community 1st Credit Union	<a href="http://www.c1stcreditunion.com/studentloans">www.c1stcreditunion.com/studentloans</a>
Dupaco Community Credit Union	<a href="http://www.dupaco.com/studentloan">www.dupaco.com/studentloan</a>
The Family Credit Union	<a href="http://www.familycu.com/loans-credit/student-loans">www.familycu.com/loans-credit/student-loans</a>
Health Services Credit Union	<a href="http://www.hscudbq.com/studentloan">www.hscudbq.com/studentloan</a>
Premier Credit Union	<a href="http://www.premiercu.org/home/loa/student_loans">www.premiercu.org/home/loa/student_loans</a>
Scott Schools Credit Union	<a href="http://www.scottschoolsco.org/privatestudentloans.php">www.scottschoolsco.org/privatestudentloans.php</a>
Veridian Credit Union	<a href="http://www.veridiancu.org/loans/private_student_loans.asp">www.veridiancu.org/loans/private_student_loans.asp</a>

## Addressing Student Indebtedness

In January 2009, the Iowa Student Loan board of directors created the Student Indebtedness Task Force and charged it with reviewing factors that contribute to increased student loan indebtedness levels at Iowa colleges and universities. The task force was also asked to suggest practical efforts that Iowa Student Loan might undertake to help mitigate those factors. The task force's work led to the development of several recommendations, later ratified by the board of directors, that focus on the promotion of responsible borrowing behaviors and repayment experiences for Iowa student and parent borrowers. During 2010, Iowa Student Loan continued to carry out actions related to each of those recommendations.

The task force's recommendations, and progress on each, include:

### 1. Lead Financial Literacy Partnerships

Iowa Student Loan should take a leadership role in Iowa to bring together a group of willing entities to review the work of the President's Advisory Council on Financial Literacy. This group could bring those best ideas to the state level by facilitating the creation of partnerships and dialogue with relevant private and public organizations — perhaps through a formal public-private council at the state level.

#### Progress

During 2010, Iowa Student Loan facilitated discussions among various organizations, both private and public, that have an interest in and provide financial literacy materials and programs in Iowa. Included in those discussions were representatives from the Iowa College Access Network® (ICAN), the Iowa Association of Student Financial Aid Administrators (IASFAA), GEAR-UP Iowa, the State Treasurer's Office, the Iowa College Student Aid Commission (ICSAC), the Iowa Banker's Association, the Iowa Credit Union League, The Greater Des Moines Partnership, Principal Financial Group, Jump\$tart, Junior Achievement, United Way and the Iowa Department of Education. The various organizations agreed to create the Iowa Financial Literacy Network as a mechanism to help coordinate communications and information about resources and programs among the various financial literacy partners in the state. A steering committee has been created to help move the project forward.



### 2. Study Student Debt-to-Income Issues

Iowa Student Loan should commission a study that assesses the impact of student loan debt-to-income ratios on the ability of borrowers to make their student loan payments after they have left school and on their lifestyle choices and lifestyle satisfaction.

#### Progress

Data collection and analysis for the research study was completed in 2010. A final report of the findings is being prepared for review in early 2011.



### 3. **Improve Financial Education**

Iowa Student Loan should work collaboratively with relevant education partners to deliver improved educational materials and programs to students and parents that promote healthy borrowing. These efforts should be supplemented by developing and evaluating life-experience money management pilot programs in at least two Iowa middle schools.

#### **Progress**

This project is on schedule to be delivered in two middle schools in the Des Moines Public School District in fall 2011. The project will supply a grade-appropriate financial literacy educational curriculum to students and assess the impact of the curriculum on their financial literacy knowledge and behaviors.



### 4. **Better Understand Borrower Attitudes**

Iowa Student Loan should commission a study that uses focus group methodologies to collect information regarding students' and parents' attitudes and perceptions about borrowing. The focus groups should be inclusive of both students and their parents and include individuals from various and appropriate educational levels.

#### **Progress**

The sample of interest for this study is not limited to Iowa Student Loan borrowers and will involve the collection of data from students and parents both in Iowa and another state. Survey development and finalization of the methodology for the focus groups are under way. The project is scheduled for completion in summer 2011.

### 5. **Develop New Educational Features for Customers**


Iowa Student Loan should research and develop new tools for use by its private student loan borrowers that educate them about the negative impact of overborrowing.

#### **Progress**

Iowa Student Loan has developed a new, online financial counseling feature that all borrowers must complete as they apply for private student loans owned or serviced by Iowa Student Loan. This tool includes a checklist of actions a borrower commits to undertake to save money and a real-time opportunity to decrease the amount they wish to borrow.

## Unique Online Educational Tool

As a direct result of a Student Indebtedness Task Force recommendation, a responsible borrowing online tool was integrated into Iowa Student Loan's private loan program applications in December 2010. This tool, which was well-received by focus groups, educates applicants on how student loan decisions can affect their future. Interactive features allow the applicant to enter information about previous borrowing, estimated future borrowing, expected future salary and estimated future expenses to calculate an approximate student loan debt-to-income ratio. Applicants are informed how this ratio can indicate future financial success or difficulties. They are encouraged to consider various means of reducing costs and increasing income to reduce borrowing. Iowa Student Loan has also included this feature on all loans it services for other lenders.



New Release  
in December  
2010

Introduction

Meet Joe

Working the Numbers

Reducing Your Need

Action Plan

### Your Student Loan Debt-to-Income Ratio

Now that you understand the chances of getting the job you want, how much that job will pay and how much your monthly student loan payments may be, you can find your estimated student loan debt-to-income ratio.


What's your ratio?		
Your estimated monthly student loan payments		\$265
Your estimated monthly income	÷	\$2,163
<b>Student loan debt-to-income ratio</b>	=	<b>12%</b>

Your student loan debt-to-income ratio can make a difference in your future.

- Several research studies show that higher debt-to-income ratios make it difficult to achieve financial goals.<sup>1</sup>
- The U.S. Department of Education plans regulations that indicate a student loan debt-to-income ratios of greater than 8% can cause problems.<sup>2</sup>
- When you try to buy your first home, you may be denied a mortgage if your outstanding consumer debt—which includes student loans along with car loans, credit cards and other debt—results in a consumer debt-to-income ratio of more than 28% to 45%.<sup>3</sup>

Will you, like Joe, need to change your lifestyle to repay your student loan debt?

<sup>1</sup> Information from the Federal Reserve Board, various consumer credit counseling websites and several papers by Sandy Baum.  
<sup>2</sup> U.S. Department of Education gainful employment regulations approved Nov. 1, 2010.  
<sup>3</sup> Federal Housing Administration



Student loans are a legally binding financial commitment. You will be responsible for repaying your loans whether or not you graduate and regardless of your future income. Failure to repay your student loans can lead to default, which affects your credit for years and may keep you from achieving your financial goals.

Next

Contact Us | Privacy | Terms of Use

On the screen above, applicants see their estimated student loan debt-to-income ratio, based on the information they entered on the previous screens. Each applicant, regardless of his or her estimated ratio, will see a warning that student loan debt is a serious financial obligation that must be repaid.

## Ongoing Responsible Borrowing Initiatives

The new responsible borrowing tool is only one method Iowa Student Loan uses to educate students and families about good financial decisions. Over the years, the nonprofit organization has developed a variety of methods to promote responsible borrowing decisions. Most Iowa Student Loan materials and communications encourage students and families to reduce student loan debt by exhausting all available financial aid, such as scholarships, grants and work-study, and to exhaust all federal options prior to applying for private loans. To minimize long-term indebtedness, the organization promotes using any available funds to pay college costs and encourages making interest payments while students are in school. Iowa Student Loan also takes an active role in counseling students about debt loads and loan repayment.

Borrowers receive information from Iowa Student Loan promoting responsible borrowing in the following ways:

- ▶ **School certification.** Before students are approved for a supplemental private student loan owned or serviced by Iowa Student Loan, the college must certify borrower eligibility. In addition, funds are delivered directly to the school to help ensure they are properly used.
- ▶ **In-school statements.** Students receive monthly private student loan statements while they're still in school so they can see how much debt they've incurred and to encourage payments that at least cover accrued interest. Iowa Student Loan believes avoidance of interest accrual and capitalization can greatly reduce future debt, and the company is one of only a few lenders to provide such a statement before repayment.
- ▶ **Annual updates.** Yearly statements inform students who are still in school of their total borrowing, projected payment amounts and estimated future student loan debt-to-income ratio based on the future career students indicate. These statements encourage reduced borrowing when students are likely considering additional loans.
- ▶ **Default prevention.** The Iowa Student Loan default prevention department identifies at-risk borrowers on an ongoing basis and reaches out to counsel them on possible options to avoid default on their student loans. Phone calls, letters and e-mails encourage these borrowers to contact Iowa Student Loan to discuss possible repayment and assistance options.
- ▶ **Repayment options.** Borrowers are informed of eligible repayment options to help them avoid default if they encounter financial difficulties during repayment. Eligible borrowers may postpone payments or make reduced payments.



"I have been working with Iowa Student Loan over the past 16 years, and it has been a great experience. Now that I am going through some tough times in my life, I can still depend on [their] service to see me through."

— A borrower from Davenport, Iowa

## Investments in Iowa's Future

### Helping Those Who Fill a Need

In addition to working to help students borrow responsibly, Iowa Student Loan has for many years recognized the importance of encouraging Iowa students to enter critical job shortage areas in Iowa. The company assists in such efforts through community reinvestment programs that support those who choose to enter nursing and teaching shortage occupations. The economic development of the state relies on initiatives to keep these services easily accessible for all residents.

In recent years, Iowa Student Loan has operated loan forgiveness programs for nurses and teachers entering specified shortage areas. More than \$2.5 million in forgiveness benefits has already been paid to nurses and teachers in those programs as of Dec. 31, 2010, and payments to those in the programs are continuing. In summer 2010, the Iowa Student Loan board of directors approved updated grant programs to replace its loan forgiveness programs for nurses and teachers beginning in 2011. New teachers and graduate-level nurse education students were able to apply for grants in recognition of their work in shortage areas beginning Dec. 1, 2010.

#### Iowa Student Loan Nurse Educator Grant

The Iowa Student Loan Nurse Educator Grant will help graduate-level nurse educator students who are also teaching in a nursing program at an Iowa college or university. The program awards as many as 32 grants of up to \$4,000 to nurse educator students each academic year.

Grants of up to \$2,000 for each term will be made to qualifying applicants to help offset costs related to their educational programs. Students who have already received an initial grant will be given priority for awards for subsequent terms.

#### Iowa Student Loan Teacher Career Establishment Grant

A similar program is designed to help new teachers in Iowa with startup costs to become established in their chosen career. As many as 62 nonrenewable grants of up to \$2,000 will be available to new classroom teachers who:

- ▶ Graduated in fall 2010 or will graduate in spring or summer 2011.
- ▶ Are certified in a state-designated shortage area in Iowa.
- ▶ Are contracted to begin their first teaching job in a shortage area after Jan. 1, 2011.

#### Loan Forgiveness Programs

Nearly 250 nurses and almost 300 teachers have already been approved to receive a total of more than \$2.5 million in loan forgiveness through the Iowa Student Loan Nursing and Teacher Education Loan Forgiveness programs. These recipients are not affected by the new grant programs and will continue to receive loan forgiveness benefits.



Mathematics teacher Laura Eklund discusses the teacher grant program at a press conference in Cedar Rapids.

“There simply are not enough education graduates in Iowa to fill the holes left as more experienced teachers retire or leave the field. The Iowa Student Loan Teacher Career Establishment Grant provides them an extra incentive to stay here and teach.”

— Dan Smith, executive director, School Administrators of Iowa

## Assisting America's Heroes

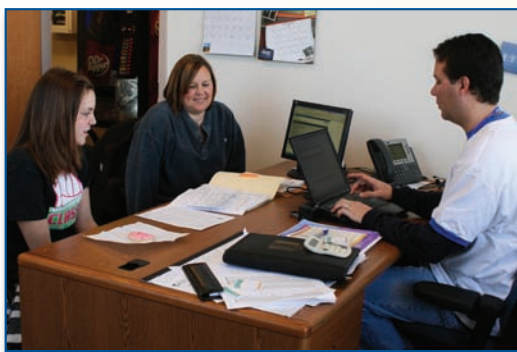
As thousands of U.S. military service members continue to serve in wartime efforts, Iowa Student Loan is doing its part to help them on the home front. The Iowa Student Loan board voted to continue its Armed Forces Interest Rate Reduction Program for service members entering federal active duty through Dec. 31, 2010.

The program recognizes service members who are or have been deployed for wartime efforts since Sept. 11, 2001, by reducing interest to 0% on their private loans owned by Iowa Student Loan. The interest rate reduction is good for up to 24 months.

The interest rate reduction means one less thing for service members and their families to worry about during active military duty.

As of Dec. 31, 2010, more than \$560,000 in student loan interest had been forgiven on 551 service members' student loans.

## Promoting College Preparedness



For the past 10 years, the Iowa College Access Network (ICAN), operating as a division of Iowa Student Loan, provided an array of services aimed at preparing Iowa's middle school and high school students to achieve and succeed in postsecondary education.

In 2009, the Iowa Student Loan board voted to incorporate ICAN as an independent nonprofit 501(c)(3) educational organization. ICAN's new status and independent governing board, led by Dick Schwab of Solon, positioned it as a recipient of private donations and federal grants to fund new and expanded college access services.

In 2010, Iowa Student Loan contributed more than \$1.7 million in in-kind donations of property, equipment, inventory, services and shared activities, including fiscal, human resources, information technology, communications and community relations services.

Leveraging the support of Iowa Student Loan, ICAN was able to help thousands of Iowa students during the 2009 – 2010 academic year through:

- ▶ More than 1,000 college planning, financial aid, money management and academic success presentations, typically delivered on-site in 97% of Iowa's high schools.
- ▶ Assistance provided to more than 5,500 Free Applications for Federal Student Aid.
- ▶ More than 5,000 appointments at ICAN offices with students and parents.
- ▶ More than 10,000 phone calls initiated by students and parents.
- ▶ E-newsletters sent to nearly 150,000 recipients.

"We appreciate the hardships and sacrifices made by military men and women. We felt extending this program was one way to help those who protect us during wartime."

— Tim Bottaro, board chairman,  
Iowa Student Loan



## A History of Serving Students

Pursuant to federal legislation, the state of Iowa created Iowa Student Loan in 1979 as its designated private nonprofit organization tasked with providing Iowa students and families access to federally guaranteed student loans and for other related purposes. Iowa Student Loan worked with banks and credit unions throughout the state to offer federal student loans through the Guaranteed Student Loan Program, which was created by the Higher Education Act of 1965 (HEA). The program was later renamed the Federal Family Education Loan Program (FFELP) in the 1992 reauthorization of HEA. On June 30, 2010, FFELP was terminated and replaced by the William D. Ford Federal Direct Loan Program (Direct Loan). However, the legislation mandating Direct Loan also provided an opportunity for experienced nonprofits, such as Iowa Student Loan, to provide quality customer service to Direct Loan borrowers. Iowa Student Loan is currently preparing to begin such work in 2011.

“Every time I call, I feel very comfortable talking to the representative, and I never feel dumb for asking many questions. You make student loans easy to understand and I appreciate it!”

— A borrower from Ames, Iowa

## Proven Top-Quality Customer Service

For nearly 30 years, Iowa Student Loan has provided and serviced more than 240,000 FFELP loans, earning high approval ratings from borrowers year after year. The U.S. Secretary of Education designated Iowa Student Loan as an Exceptional Performer from 2005 until the program's end, in recognition of its high level of service for FFELP loans.



Iowa Student Loan staff provide outstanding local customer service, helping borrowers successfully enter and complete repayment. In the past, annual customer satisfaction surveys have consistently demonstrated a high level of borrowers' satisfaction with the service they receive from Iowa Student Loan. This year, Iowa Student Loan has changed the way it measures customer satisfaction. Instead of conducting the typical phone survey annually, Iowa Student Loan has begun sending invitations to randomly selected borrowers monthly for an online survey. This method provides more continuous feedback and allows Iowa Student Loan to better monitor and improve customers' experiences with the organization.

From August through November 2010, customers gave Iowa Student Loan an aggregate rating of 8.3 on a scale of 1 to 10, where 10 is best, for overall customer service. In addition, during that same time period, Iowa Student Loan earned a Net Promoter Score (NPS) of 47%. A company's NPS is computed by subtracting the percentage of detractors (people telling others not to use the company) from the percentage of promoters (those actively recommending the company to others). An average company usually finds its NPS in the 5% – 20% range.

## Preparing to Serve More Borrowers

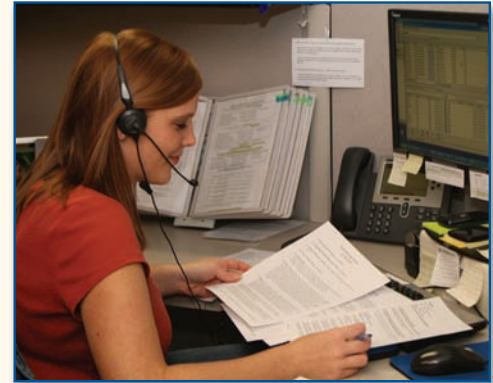
With the end of FFELP earlier this year, Iowa Student Loan staff has been working overtime to qualify to become a Direct Loan service provider. As an eligible nonprofit, Iowa Student Loan submitted a proposal to the U.S. Department of Education (ED) for servicing Direct Loans beginning in 2011. Iowa Student Loan's significant experience and track record in servicing hundreds of thousands of FFELP loans provides the foundation for continued excellent customer service for borrowers of the new federal program.

## Direct Loans

Much of 2010 was spent ensuring the company could meet and exceed the extensive requirements, including completing a thorough proposal for ED, to become a Direct Loan servicer. To prepare for compliance, Iowa Student Loan has assessed requirements for information technology, business processes, security boundaries and implementation plans.

In late November, Iowa Student Loan submitted a response to the ED office of Federal Student Aid (FSA), which solicited nonprofit servicers for Title IV student financial aid servicing, in accordance with the Health Care and Education Reconciliation Act of 2010 (HCERA). Iowa Student Loan is excited about the possibility to continue its mission of providing customer service for college students and graduates through this opportunity.

New initiatives to review current processes and modify them to enhance customer service have already begun. To improve the customer experience, Iowa Student Loan is investing in technological upgrades (e.g., interactive voice response systems for phone calls and website, e-mail and texting services) as well as seeking customer feedback at all opportunities for other continual improvements. These initiatives will build on existing customer service success. Current and future customers can be assured that exceptional customer service will be a major influence on all operational decisions made by Iowa Student Loan.



In addition to working toward becoming a Direct Loan servicer, staffs at Iowa Student Loan and ISL Service Corp. (whose earnings are returned to Iowa Student Loan and used for its nonprofit mission) have been meeting with other nonprofit organizations across the country to assist them in becoming Direct Loan servicers. These nonprofits are eligible to service Direct Loans but, in many cases, they do not have existing loan servicing experience. With nearly 30 years of loan servicing experience, Iowa Student Loan represents an attractive partner and is engaged in discussions with a short list of these nonprofits. In 2011, Iowa Student Loan will concentrate first on securing a contract with ED before turning its attention toward helping other nonprofits take advantage of this unique opportunity to service Direct Loans.

## Private Loans

In recent years, Iowa Student Loan has offered its own supplemental private student loan — the Partnership Advance Education Loan — and worked with lenders across the state to secure capital needed to fund private student loan programs such as the Iowa Alliance Private Student Loan Program (Iowa Alliance Loan) and those offered by nine credit unions. Looking to the future, Iowa Student Loan is working with a number of individual lenders and nonprofits to bring its excellent customer service and transparent and innovative loan programs to other students and families across the country.

ISL Service Corp. has begun meeting with some out-of-state lenders and nonprofit organizations that are interested in developing their own private student loan program. In most cases, these organizations have the local customer contacts and the funding, but lack the private loan product development knowledge, the loan servicing experience and the systems to properly administer a program on their own. Leveraging Iowa Student Loan's 20 years of private student loan experience enables ISL Service Corp. to present a compelling, turnkey solution for these financial institutions.

The Iowa Student Loan board of directors is committed to the organization's nonprofit purpose of helping Iowa students and families succeed in postsecondary education and to providing strong, effective leadership. In compliance with the requirements under Iowa Code Section 7C.13(2), the board is pleased to provide the citizens it serves with this annual update on its activities.



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